

CITY OF CARLSBAD

COUNCIL POLICY STATEMENT

Policy No. 58
Date Issued September 12, 1995
Effective Date Sept. 12, 1995
Cancellation Date _____
Supersedes No. _____

General Subject: AFFORDABLE HOUSING

Specific Subject: Sale of Affordable Housing
Credits

Copies to: City Council, City Manager, City Attorney, Department and Division Heads,
Employee Bulletin Boards, Press, File.

PURPOSE

To establish a policy to be followed by City Council and City staff in selling Affordable Housing Credits, controlled by the City, to developers who will use the Credits to satisfy obligations to provide affordable housing pursuant to the City's Inclusionary Housing Ordinance (CMC Chapter 21.85).

BACKGROUND

In the development of the 344-unit affordable housing project known as Villa Loma in the Southwest Quadrant of the City, the developers and the City created a project which may be treated as a Combined Project as defined in the City's Inclusionary Housing Ordinance. With City Council approval, Combined Projects allow "some or all of the inclusionary units associated with one residential project site to be produced and operated at an alternative site". The "alternative site" becomes a Combined Project. Villa Loma was conceived and developed with City participation based on the creation of 184 excess affordable housing units which would be available to satisfy other developers' inclusionary housing obligations thus making it a potential Combined Project. City financial participation in the project was also based on the concept of recovering costs through the sale of the excess units. Furthermore, Villa Loma was structured to give the City control of these units (Affordable Housing Credits or "Credits") and their sale to potential Combined Project participants. Therefore, it is necessary to establish a policy to guide the City in the effective implementation of these Affordable Housing Credit sales transactions.

POLICY

Two basic factors will be considered in a Credit sale transaction -- the financial aspect, which is the Credit pricing -- this determines cost to a purchaser and revenue to the City; and the affordable housing aspect, which is the use of this mechanism to satisfy a developer's obligation under the Inclusionary Housing Ordinance. Based on these considerations, the following will guide Credit sales:

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- Price. The Credit price will be determined according to the following formula which divides the local financial contribution provided to the Villa Loma project by the total number of Credits available. The local financial contribution consists of all City financial assistance provided to the project (either as loans or expenditures for land including accrued interest on such amounts for the period of time they are outstanding); and the local developer contribution to the project provided in order to satisfy an affordable housing obligation):

Affordable Housing Credit Pricing Formula

| | | |
|---|---|--|
| | | = Unit Price of Affordable Housing Credits (Rounded to nearest \$1,000)* |
| <u>Local Financial Contribution</u> | + <u>Number of Affordable Housing Credits Available</u> | |
| City Contribution \$4.2 Million* | | |
| Developer Contribution (Aviara Land Associates) .9 | 184 | \$28,000* |
| TOTAL | \$5.1 Million | |

** To be adjusted with the addition of interest.*

- Terms of Purchase and Sale. The commitment to purchase and sell Credits will be accomplished through an Affordable Housing Agreement as required by the Inclusionary Housing Ordinance. This Agreement will contain the terms of the Credit sale and will acknowledge the satisfaction of an affordable housing obligation through participation in a Combined Project (Villa Loma).

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- Selection of Purchasers. The following procedure will apply to the selection of purchasers and allocation of Credits:
1. Project Review. Staff, through the Combined Project Review Committee (see Council Policy No. 57) will review all applications and approved projects with inclusionary requirements and determine which projects will be recommended to satisfy their obligations through the purchase of Credits. If the number of acceptable projects have affordable housing requirements which exceed the available number of Credits, projects will be ranked and allocated Credits accordingly. Projects will be reviewed and ranked using the following criteria:
 - a) The immediacy of the need to satisfy an affordable housing obligation with respect to the market rate project that is generating the obligation.
 - b) The readiness and capacity of the developer to enter into an Affordable Housing Agreement and perform under its terms.
 - c) The acceptability of the Combined Project as an off-site option in lieu of the satisfaction of the affordable housing obligation on-site with respect to the project that is generating the obligation (see Council Policy No. 57).
 2. Electing to Purchase Credits. Developers will be notified of staff's recommendation to permit the purchase of Credits and given the opportunity to accept or reject this option.
 3. Reservation of Credits. Developers wishing to use the option of purchasing Credits must have their projects approved with conditions allowing this option. In addition to Planning Commission approval, the recommendation of the Housing Commission will be required for the Credit purchase option of satisfying the Inclusionary Housing Obligation. When a project is approved (e.g., tentative map) with the Credit purchase condition, a reservation of the Credits is made for the project.

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4. Affordable Housing Agreement. Within sixty (60) days of the approval of the Credit purchase condition, the developer must deliver to the Housing and Redevelopment Director a signed Affordable Housing Agreement in the form prescribed by the City with a non-refundable deposit in an amount equal to 10% of the total Credit sale price. The Affordable Housing Agreement will be scheduled for City Council consideration and, if and when approved, will be executed by the City. The Affordable Housing Agreement will require payment of the balance of the purchase price upon execution and prior to final map or issuance of a building permit.
5. Failure of Developer to Perform or Denial of Purchase Option. If the developer is unable to perform as required, or is denied the option of purchasing Credits, the Credits will be made available to another project(s), subject to this process.
6. This policy is subject to all other requirements of the Inclusionary Housing Ordinance.